

# Growth of U.S. Multinational Companies, 1966-77

**T**HIS article presents and analyzes data on the growth of U.S. multinational companies (MNC's) from 1966 to 1977. Growth of U.S. MNC's worldwide, and of U.S. parents and foreign affiliates separately, is discussed. U.S. MNC's are U.S. companies that have direct investment abroad. Direct investment abroad exists when one U.S. person (U.S. parent) has a direct or indirect ownership interest of 10 percent or more in a foreign business enterprise (foreign affiliate). A given MNC consists of the U.S. parent and its foreign affiliates.

Data are from BEA's 1966 and 1977 benchmark surveys, or censuses, of U.S. direct investment abroad.<sup>1</sup> Results of the 1977 survey were published last year. Comparisons of the published 1977 data with those for 1966 are hindered by differences between the two surveys in concepts, coverage, and methodology. To improve comparability, this article presents data that have been adjusted to reconcile the major differences (see the technical note).

**NOTE.**—Richard Mauery did the computer programming for the tables in this article. Ethel J. Wheeler provided statistical assistance.

1. See U.S. Department of Commerce, Bureau of Economic Analysis, *U.S. Direct Investment Abroad, 1977* (Washington, D.C.: U.S. GPO, April 1981). Results of the 1966 survey were published in U.S. Department of Commerce, Bureau of Economic Analysis, *U.S. Direct Investment Abroad, 1966, Final Data* (Washington, D.C.: U.S. GPO, n.d.). Articles on the 1977 benchmark survey have included: International Investment Division, "1977 Benchmark Survey of U.S. Direct Investment Abroad," *SURVEY OF CURRENT BUSINESS* 61 (April 1981): 29-37, which gave a brief description of the survey and highlights of the data; Betty L. Barker, "A Profile of U.S. Multinational Companies in 1977," *SURVEY* 61 (October 1981): 38-57, which discussed industry characteristics of MNC's, their size, the location of their operations, the U.S. parents' percentage ownership in their foreign affiliates, and the form of organization of parents and affiliates; and Obie G. Whichard, "Employment and Employee Compensation of U.S. Multinational Companies in 1977," *SURVEY* 62 (February 1982): 87-99, 80.

The two benchmark surveys covered parents and affiliates in all industries. However, in the 1977 benchmark survey, much more detailed data were obtained for nonbank MNC's than for bank MNC's; therefore, the coverage of this article is limited to the former. A nonbank MNC consists of a nonbank U.S. parent that has at least one nonbank foreign affiliate, and its nonbank affiliates. For simplicity, in the text of this article and in all accompanying tables, the terms "U.S. MNC's," "U.S. parents," and "foreign affiliates" refer only to nonbank MNC's, nonbank parents of nonbank foreign affiliates, and nonbank foreign affiliates of nonbank parents, respectively. (See the technical note for further discussion.)

## Highlights

- Total assets of U.S. MNC's grew at an annual rate of 11.1 percent from 1966 to 1977. By 1977, assets had more than tripled—from \$624.2 billion to \$1,986.6 billion.

- By industry of U.S. parent, MNC growth rates were highest in trade (14.9 percent) and petroleum (14.1 percent); they were lowest in mining (1.6 percent).

- The growth rate was higher for affiliates than for U.S. parents—13.6 percent compared with 10.5 percent.

- Total assets of affiliates grew at about the same rate in developed and developing countries—13.6 and 13.8 percent, respectively.

- In developed countries, assets of affiliates in Europe grew significantly faster than those of affiliates in Canada.

- By industry of affiliate, growth rates of affiliates' total assets ranged from 18.1 percent in finance (except banking), insurance, and real estate to 9.4 percent in mining. In manufacturing and petroleum, the two largest

affiliate industries, growth rates were 12.6 and 13.0 percent, respectively.

- Employment of majority-owned foreign affiliates (MOFA's) grew at a rate of 4.2 percent, from 3,591,000 in 1966 to 5,629,000 in 1977. Almost three-fourths of the growth was in manufacturing.

- MOFA employment growth rates were generally below those for assets because they were less directly affected by inflation and changes in exchange rates than were asset growth rates.

- The pattern of growth based on employment differed from that based on assets, both among industries and among areas.

The remainder of the article is divided into two parts. The first part gives an overview of U.S. MNC growth; growth in total assets of U.S. MNC's worldwide, and of U.S. parents and affiliates separately is discussed. The second part describes growth in affiliate assets in more detail, and also covers growth in affiliate employment.

## Growth of U.S. MNC's

Table 1 shows growth in total assets of U.S. MNC's and of U.S. parents and foreign affiliates, by industry of U.S. parent.<sup>2</sup> Data for affiliates are

2. Total assets of MNC's worldwide were calculated by aggregating U.S. parents' and affiliates' assets. The total includes duplication because of intercompany positions between a parent and an affiliate or between two affiliates of the same parent; these positions give rise to assets on the books of both the parent and the affiliate, or of the two affiliates involved. Aggregated assets are shown because worldwide consolidated assets, which are assets after the elimination of intercompany positions, were not collected in either of the benchmark surveys. Instead, data were collected for U.S. parents and affiliates separately. Data on the net intercompany account position of U.S. parents in their incorporated affiliates, which accounts for a substantial portion of the duplication, indicate that the growth rate for consolidated MNC assets was probably slightly higher than that for aggregated assets, because the intercompany position was a larger share of aggregated assets in 1966 than in 1977.

for "allied affiliates," i.e., affiliates in which U.S. parents have a 25-percent-or-more ownership interest. Total assets are shown for these, rather than for all affiliates (i.e., all foreign business enterprises owned 10 percent or more by U.S. parents), because, in 1966, total assets data were collected only for these affiliates. In 1977, allied affiliates accounted for 90 percent of the assets of all affiliates.

Total assets of U.S. MNC's worldwide grew at an annual rate of 11.1 percent from 1966 to 1977, resulting in a more than threefold increase in MNC assets—from \$624.2 billion to \$1,986.6 billion.<sup>3</sup> The growth was probably largely attributable to MNC's that began foreign operations before 1966 in response to economic opportunities that existed after World War II, particularly as a result of the establishment of the European Communities (EC) in 1958. The number of U.S. MNC's increased only 4 percent—from 3,299 in 1966 to 3,425 in 1977.<sup>4</sup>

3. Growth rates for a period calculated from initial- and terminal-year data may differ from an average calculated from data for each year in the period if the initial- or terminal-year values have been affected by circumstances not typical of the period as a whole. However, because the period covered by the data in this article is relatively long (11 years), the initial- or terminal-year values for total assets of MNC's worldwide would have to differ by about 10 percent from those shown in order to change the MNC growth rate by 1 percentage point.

4. However, growth in the number of MNC's was limited by mergers among existing U.S. parents and by the higher level of consolidation required for reporting parent data in the 1977 survey than in the 1966 survey.

The growth in MNC assets partly reflected the effects of inflation, because, as MNC's replaced their assets, the new assets were generally valued at higher prices. For assets that turned over rapidly, such as inventories and trade receivables, virtually all price increases in the underlying goods or services during 1966-77 resulted in increases in asset values. For assets that turned over slowly, such as fixed assets, price increases resulted in increases in values only if the assets were actually replaced during the period. The precise extent to which inflation boosted asset growth rates cannot be quantified, because the necessary data on the prices and composition of MNC assets and the timing of their replacement are unavailable.

#### By industry of U.S. parent

Data in table 1 are classified by industry of U.S. parent rather than by industry of the MNC as a whole, because an MNC-wide industry code based on the worldwide consolidated activities of the MNC was not available for either 1966 or 1977. However, evidence indicates that, in a majority of cases, the U.S. parent's industry was probably also the MNC-wide industry.<sup>5</sup>

Growth rates were highest for MNC's in petroleum (14.1 percent)

and trade (14.9 percent) and lowest for those in mining (1.6 percent). The growth rate in manufacturing, by far the largest industry, was 11.2 percent, about the same as for all industries combined.

Differences in growth rates among industries may have resulted partly from changes in the industry classification of U.S. parents from 1966 to 1977. For example, some U.S. parents acquired, merged with, or were acquired by, other U.S. companies during the period. If the industry classification of the resulting consolidated enterprise differed from that of the original enterprise(s), data for the U.S. parent (and the MNC as a whole) may appear in different industries in the two years. Growth rates were particularly affected in mining, where several of the largest U.S. parents that reported in 1966 acquired, or were acquired by, large U.S. manufacturing companies after 1966. As a result, in 1977, the major activity of some of these consolidated enterprises was manufacturing, not mining.

In both petroleum and trade, the high growth rates probably reflected the effect of price increases to a greater extent than in other industries. In petroleum, the quadrupling of crude oil prices in 1973 and 1974 caused a sharp rise in the values of MNC inventories and trade receivables. In trade, although prices did not increase as sharply as those in petroleum, the increases that did occur

5. See Barker, "A Profile," p. 41.

Table 1.—Growth in Total Assets of U.S. MNC's, U.S. Parents, and Allied Foreign Affiliates, 1966-77, by Major Industry of U.S. Parent<sup>1</sup>

	Millions of dollars						Percent				
	Total assets of—						Compound annual rate of growth			Portion of total MNC assets accounted for by allied affiliates	
	MNC's worldwide, including allied affiliates only <sup>2</sup>		U.S. parents		Allied affiliates		MNC's	U.S. parents	Allied affiliates	1966	1977
	1966	1977	1966	1977	1966	1977					
All industries	(1) 624,202	(2) 1,986,623	(3) 614,528	(4) 1,543,290	(5) 109,672	(6) 443,333	(7) 11.1	(8) 10.5	(9) 13.6	(10) 18	(11) 22
Mining	8,792	18,454	4,970	7,488	3,822	3,975	1.6	2.8	-2.3	43	28
Petroleum	90,288	342,446	51,104	218,756	39,183	123,690	14.1	14.1	14.1	35	88
Manufacturing	271,212	887,381	210,889	688,416	60,323	228,965	11.1	10.5	12.1	22	27
Food and kindred products	19,722	64,781	15,501	48,359	4,221	16,422	11.4	10.3	12.8	21	25
Chemicals and allied products	38,554	142,934	28,118	97,410	10,436	45,524	12.6	12.4	14.0	28	32
Primary and fabricated metals	40,036	112,438	32,864	87,072	7,171	25,366	9.7	9.1	11.4	19	23
Machinery, except electrical	30,798	124,911	22,015	82,777	8,783	42,134	13.5	12.2	15.3	29	34
Electric and electronic equipment	28,890	81,385	22,388	46,749	6,502	34,636	7.1	6.9	7.5	23	24
Transportation equipment	54,341	178,880	43,980	132,478	10,360	46,383	11.4	10.7	14.0	30	26
Other manufacturing	57,997	182,181	46,573	158,571	11,423	43,620	11.0	10.4	13.0	30	24
Trade	22,235	102,125	18,719	84,260	3,516	17,865	14.9	14.1	16.0	16	17
Finance (except banking), insurance, and real estate	165,208	419,194	167,771	379,947	7,437	39,247	8.8	8.2	16.8	7	9
Other industries	76,527	246,014	71,377	218,272	5,149	28,642	11.2	10.7	13.7	5	10

MNC—multinational company.

1. Data are from BEA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data for affiliates have been adjusted to improve comparability and, therefore, differ from previously published data. Allied affiliates are affiliates that were owned 25 percent or more by U.S. parents. (See text for discussion.)

2. Column 1 is the sum of columns 3 and 5, and column 2 is the sum of columns 4 and 6. The

some contain duplication of assets that reflect intercompany positions between a parent and its affiliate or between 2 affiliates of the same parent. See text for further discussion. Also note that, to be consistent with the 1966 data in column 1, the 1977 data in column 2 include data for all U.S. parents, but only for allied foreign affiliates. Therefore, this column does not agree with total MNC assets as shown in Barker, "A Profile," table 1, page 40.

tended to have a proportionately greater effect on asset growth rates in this industry than in others because inventories and trade receivables constituted a larger portion of the total assets of trade MNC's.

Within manufacturing, growth rates were highest in nonelectrical machinery and chemicals—13.6 and 12.6 percent, respectively. In nonelectrical machinery, growth was particularly strong in office machine and

computer manufacturing. During the period, significant technological innovations lowered prices of data processing equipment and expanded product offerings. Also, growth in the demand for computers may have led more directly to increases in assets of computer manufacturers than for other manufacturers. Computers were often rented or leased, rather than sold, to customers; when this was the case, the value of the rented or leased com-

puters was often included in the assets of the manufacturer, rather than of the user. In chemicals, growth rates were particularly high in three subindustries—drugs; soaps, cleaners, and toilet goods; and agricultural chemicals. Growth in drug manufacturing, as in office machines and computers, probably reflected technological innovations. Growth in each of the other two chemical industries was from a relatively small 1966 base.

Table 2.—Growth in the Total Assets of Allied Foreign Affiliates, 1966-77, Major Industry by Area of Affiliate<sup>1</sup>

	Millions of dollars			Percent			Compound annual rate of growth
	Total assets of allied affiliates			Distribution			
	1966	1977	Change	1966	1977	Change	
All countries	109,372	443,353	334,011	100	100	100	13.4
Developed countries	78,763	330,176	251,413	72	72	72	13.4
Canada	29,192	88,122	58,930	27	19	16	10.0
Europe	40,175	188,415	148,240	37	42	44	15.1
Other	9,396	48,639	39,243	9	11	12	14.1
Developing countries	26,513	108,705	82,192	24	24	24	13.4
Latin America	18,125	71,912	53,787	17	16	16	13.3
Other	8,187	37,393	29,206	7	3	9	14.5
International <sup>2</sup>	4,307	14,592	10,285	4	3	3	14.5
Mining	5,433	14,511	9,078	100	100	100	9.4
Developed countries	5,018	9,980	4,962	96	68	76	11.4
Canada	2,109	5,282	3,174	39	26	35	8.7
Europe	40	215	175	1	1	2	16.5
Other	969	4,403	3,433	16	30	39	19.0
Developing countries	2,415	4,711	2,296	44	32	25	6.3
Latin America	1,682	3,193	1,511	31	22	16	6.0
Other	732	1,518	786	13	10	9	6.9
International	0	0	0	0	0	0	0
Petroleum	27,718	195,889	168,171	100	100	100	13.0
Developed countries	16,688	88,488	71,800	60	65	66	12.7
Canada	5,111	17,172	12,061	18	15	15	11.7
Europe	5,866	37,909	32,043	32	36	37	14.1
Other	2,710	13,702	10,992	10	13	14	15.9
Developing countries	8,380	27,332	18,952	30	36	34	11.3
Latin America	3,268	7,951	4,683	14	8	5	6.7
Other	4,408	19,381	14,973	16	18	19	14.2
International	2,440	10,076	7,636	10	10	10	13.0
Manufacturing	47,205	178,843	131,638	100	100	100	12.6
Developed countries	39,076	141,339	102,263	82	80	79	12.4
Canada	11,973	38,400	26,427	25	17	14	8.8
Europe	22,581	90,881	68,300	47	51	53	13.5
Other	4,522	20,047	15,525	9	11	12	14.5
Developing countries	8,729	35,505	26,776	18	20	21	13.5
Latin America	7,188	27,882	20,694	15	16	16	13.7
Other	1,541	8,018	6,477	3	5	5	15.6
International	0	0	0	0	0	0	0
Trade	9,034	48,098	39,064	100	100	100	15.9
Developed countries	6,788	38,254	31,466	75	78	85	17.0
Canada	1,634	6,286	4,652	18	14	12	10.0
Europe	4,600	25,971	21,371	51	51	59	17.2
Other	554	5,997	5,443	6	12	13	23.3
Developing countries	1,912	7,840	5,928	21	17	18	13.7
Latin America	1,628	5,069	3,441	17	11	10	11.5
Other	284	2,771	2,487	4	6	6	10.7
International <sup>2</sup>	894	0	0	4	0	0	0
Finance (except banking), insurance, and real estate	11,253	68,954	57,701	100	100	100	18.1
Developed countries	9,117	43,882	34,765	81	68	69	15.4
Canada	5,875	19,349	13,474	52	28	29	10.1
Europe	2,521	21,670	19,149	21	31	33	22.5
Other	421	3,813	3,392	4	5	6	22.2
Developing countries	2,040	25,121	23,081	18	37	41	26.1
Latin America	1,885	24,825	22,940	17	36	38	26.3
Other	172	1,796	1,624	2	3	3	23.8
International <sup>2</sup>	96	0	0	1	0	0	0
Other industries	3,069	29,992	26,923	100	100	100	12.7
Developed countries	4,065	18,363	14,298	80	61	65	14.7
Canada	1,981	5,573	3,592	25	19	17	10.0
Europe	1,767	11,559	9,792	22	39	46	18.6
Other	507	1,132	625	4	4	4	12.6
Developing countries	2,527	7,157	4,630	35	24	20	8.8
Latin America	2,068	6,282	4,214	28	11	6	4.3
Other	789	3,915	3,126	10	13	14	15.9
International <sup>2</sup>	1,178	4,427	3,249	15	15	15	15.9

1. Data are from BIA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data in this table have been adjusted to improve comparability and, therefore, differ from previously published data. Allied affiliates are affiliates 25 percent or more owned by U.S. parents. (See text for discussion.)

2. Growth rates and amounts of change are not shown because the 1977 definition of "international" differed from that for 1966. (See text for discussion.)

#### Affiliate and parent growth compared

The growth rate for affiliates was higher than that for U.S. parents—13.6 percent compared with 10.5 percent. As a result, affiliates' share of total MNC assets increased from 18 percent in 1966 to 22 percent in 1977. However, because the U.S. parent growth rate was calculated from a much larger 1966 base than that for affiliates (\$514.8 billion compared with \$109.4 billion), the absolute increase in parent companies' assets was much larger than that for affiliates (\$1,028.4 billion compared with \$334.0 billion).

Growth rates for affiliates were higher than for U.S. parents in every industry shown in table 1 except mining and petroleum. Several factors contributed to the generally faster affiliate growth. First, during 1966-77, many foreign economies grew faster than the U.S. economy. For example, in the EC(9), where growth in affiliate assets was particularly strong, real gross national product (GNP) in eight member countries grew more rapidly than in the United States.<sup>6</sup> In addition, affiliate growth in the EC(9) may have been encouraged by the group's elimination of internal tariffs, which tended to increase the attractiveness of producing in, rather than exporting to, members.

Second, the U.S. dollars substantial overvaluation before 1971 relative to most major foreign currencies increased the attractiveness of producing in, rather than exporting to, foreign countries and probably stimulated the growth of U.S. direct investment abroad. After 1971, this stimu-

6. The EC(9) was formed in 1958; it consisted of Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. In 1973, Denmark, Ireland, and the United Kingdom joined the Communities, and it became known as the EC(12).

lus tended gradually to diminish, as the U.S. dollar depreciated and exchange rates became increasingly flexible.

Third, and probably more important, was the effect that changes in exchange rates had on the translation of affiliates' assets from foreign currencies into U.S. dollars. Because of the depreciation of the U.S. dollar after 1971, the value of the dollar in terms of most major foreign currencies was much lower in 1977 than in 1966. When affiliates' assets were translated into dollars, the dollar value of the assets would have been higher in 1977 than in 1966, even if their foreign currency value were unchanged.<sup>7</sup>

7. This translation effect would have been weakened to the extent that assets of affiliates were not translated into dollars at the current rate. U.S. generally accepted accounting principles (which U.S. MNCs were instructed to follow when reporting to BEA) required that certain assets, such as fixed assets, be valued at historical costs and translated into dollars at the exchange rate in effect when the assets were acquired, rather than at the current rate.

Fourth, affiliate growth rates may have been higher because inflation rates in many foreign countries were higher than in the United States. As noted above, inflation tends to boost the growth of assets, particularly of trade receivables and inventories.

Special factors probably affected the relative growth of parents and affiliates in mining and petroleum—the two industries in which affiliate assets did not grow faster than parent assets. In mining, where affiliate assets declined but parent assets increased, the previously mentioned change in industry classification of several U.S. parents from mining to manufacturing had a larger negative impact on affiliate growth than on parent growth because the parents involved had proportionately larger foreign operations than other mining parents. The decline in affiliate assets also reflected nationalizations of affiliates in some countries and the adoption of policies by some host gov-

ernments that discouraged foreign participation in natural resource development.

In petroleum, where growth rates for affiliates and parents were the same, the special factors affecting growth tended to be offsetting. One factor that dampened affiliate growth relative to that of parents was that some foreign crude-oil-producing affiliates transferred trade receivables to their U.S. parents for collection. As a result, increases in crude oil prices were reflected as increases in the U.S. parents', rather than in the affiliates', assets. Also, as in mining, nationalizations and policies aimed at shifting control of crude-oil-producing affiliates to local investors slowed affiliate growth. On the other hand, U.S. policies that kept increases in prices of crude oil produced and sold within the United States below those in most foreign countries tended to dampen U.S. parent growth relative to that of affiliates.

Table 2.—Growth in Total Assets of Allied Foreign Affiliates and in Total Assets and Employment of Majority-owned Foreign Affiliates, 1966–77, by Major Industry and Country of Affiliate<sup>1</sup>

	Millions of dollars						Number of employees			Percent					
	Total Assets						Employment of majority-owned affiliates			Distribution of change		Compound annual rate of growth			
	Allied affiliates			Majority-owned affiliates			1966	1977	Change	Total assets		Employment of majority-owned affiliates	Total assets		Employment of majority-owned affiliates
	1966	1977	Change	1966	1977	Change				Allied affiliates	Majority-owned affiliates		Allied affiliates	Majority-owned affiliates	
Total	169,372	443,383	274,011	91,592	366,441	274,849	3,591,011	6,628,714	2,037,703	100	100	100	13.6	13.2	4.2
By industry															
Mining	5,433	14,811	9,378	4,660	8,967	4,307	146,873	30,965	-65,908	3	2	-3	9.4	6.1	-5.3
Petroleum	27,718	105,899	78,172	24,277	96,227	71,950	818,637	259,856	-19,791	28	23	-1	18.0	12.2	-6.6
Manufacturing	47,905	176,948	129,043	37,227	140,604	103,377	2,435,816	3,909,773	1,464,157	39	39	73	12.6	12.9	4.4
Food and kindred products	3,558	13,758	10,200	3,279	12,029	8,750	242,551	333,337	141,296	8	3	7	12.0	12.3	4.3
Chemicals and allied products	3,229	37,359	34,130	5,780	27,160	21,380	311,399	435,590	173,801	9	8	9	13.5	13.6	4.1
Primary and fabricated metals	3,570	17,435	13,865	2,738	10,345	7,607	144,728	242,031	97,903	4	3	5	14.7	14.7	4.8
Machinery, except electrical	6,662	27,312	20,650	5,260	24,083	18,823	367,905	535,953	168,030	6	3	8	13.7	13.7	3.8
Electric and electronic equipment	4,721	16,897	12,176	3,520	14,130	10,610	391,710	659,049	267,339	4	4	13	12.2	12.6	4.8
Transportation equipment	8,885	27,538	18,653	7,495	23,962	16,467	456,561	744,937	286,376	6	6	14	10.9	11.2	4.5
Other manufacturing	10,410	36,594	26,184	7,677	23,378	15,701	506,162	867,634	349,772	9	5	17	12.1	12.8	4.9
Trade	3,094	46,093	42,999	3,121	40,037	36,916	268,174	687,346	389,882	11	12	29	15.9	15.6	8.2
Finance (except banking), insurance, and real estate	11,253	69,854	58,601	10,884	81,775	70,891	37,519	57,616	30,049	18	19	1	18.1	17.4	5.5
Other industries	8,669	29,392	20,723	5,971	22,811	16,840	379,192	568,642	209,450	7	6	19	12.7	11.4	4.1
By country															
Developed countries	75,759	320,176	244,417	65,216	261,354	196,138	3,534,355	3,933,820	1,404,265	72	73	68	13.6	13.5	4.1
Canada	39,192	38,132	-1,060	26,649	75,495	48,846	732,972	940,080	307,008	18	18	10	10.0	9.9	2.9
Europe	40,175	188,415	148,240	38,771	161,035	122,264	1,549,740	2,811,806	1,061,566	44	48	52	16.1	15.8	4.9
Other	9,386	43,880	34,494	5,799	24,776	18,979	252,143	387,824	135,791	12	7	7	16.1	14.1	4.0
Developing countries	26,313	108,705	82,392	22,806	88,969	66,163	1,031,446	1,852,639	620,263	25	23	31	13.8	12.9	4.4
Latin America	18,126	71,312	53,186	15,647	66,618	50,971	712,442	1,059,449	347,007	16	18	19	13.3	12.4	3.7
Other	8,187	37,393	29,206	7,059	22,351	15,292	319,004	893,190	273,976	9	5	13	14.8	13.9	5.9
International <sup>2</sup>	4,307	14,502	10,195	4,077	13,127	9,050	24,110	36,765	12,655						

1. Data are from BEA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data in this table have been adjusted to improve comparability and, therefore, differ from previously published data. Allied affiliates are affiliates owned 25 percent or more by U.S. parents. Majority-owned affiliates are affiliates owned more than 50 percent by all U.S. parents combined.

(See text for discussion.)

2. Growth rates and amounts of change are now shown because the 1977 definition of "international" differs from that for 1966. (See text for discussion.)

## Affiliate Growth by Industry and Area of Affiliate

This section discusses affiliate growth, based on both total assets and employment. The primary focus is on growth among the major industries and areas shown in tables 2, 3, and 4; additional detail is presented in tables 5-7.

### Total assets

By industry of affiliate, annual growth rates of affiliates' total assets ranged from 18.1 percent in finance (except banking), insurance, and real estate and 15.9 percent in trade to 9.4 percent in mining (table 2). In manufacturing and petroleum, the two largest affiliate industries, growth

rates were 12.6 and 13.0 percent, respectively.

For these major industries, the pattern of growth in affiliate assets, when classified by industry of affiliate, was similar to that when classified by industry of parent. Under both classification systems, the two fastest growing industries were the same and growth rates in manufacturing and petroleum were nearly the same.<sup>8</sup>

The largest difference was for affiliates in mining, where the growth rate was a positive 9.4 percent by industry of affiliate and a negative 2.3 percent by industry of parent. The negative rate reflected the reclassification of a number of U.S. parents noted earlier.

For all industries combined, assets of affiliates grew at about the same rates in developed and developing countries—13.6 and 13.8 percent, respectively.<sup>9</sup> Within the developed and developing countries, the most significant difference in growth rates was between Europe and Canada, the two areas that accounted for the largest shares of affiliate assets. The affiliate growth rate in Europe was much higher than that in Canada—15.1 compared with 10.0 percent per year.

8. The pattern of growth among subindustries within manufacturing will not be discussed in this section. The pattern within manufacturing differed significantly under the two classification systems. For example, assets of affiliates classified in metal manufacturing grew faster than those of affiliates in any other manufacturing industry, while assets of affiliates whose parents were in metals grew slower than those of affiliates whose parents were classified in all except one other manufacturing industry. There were also substantial differences for electrical machinery and transportation equipment manufacturing.

9. Growth rates in "international" for all industries combined are not shown in table 2 because the definition of the "international" category differed in the 1966 and 1977 benchmark surveys. In the 1977 survey, "international" consisted of affiliates that had operations spanning more than one country and that were engaged in petroleum shipping, other water transportation, petroleum trading, and affiliates operating oil and gas drilling equipment that was moved from country to country during the year. (Affiliates in these industries that have operations entirely in one country are classified entirely in that country.) In 1966, "international" was defined more broadly; it included, in addition, affiliates in finance, in nonpetroleum trading, insurance, and construction that were engaged in activities in more than one country. It was not possible to adjust the data for these differences. As a result, in the tables, some data for affiliates in trade and in finance (except banking), insurance, and real estate are shown in "international" in 1966, but not 1977. Although some data for affiliates in "other" industries are shown in "international" in both years, they are not comparable because of the above-mentioned definitional differences. Only in petroleum are the data comparable and a growth rate given.

Table 4.—Growth in the Employment of Majority-Owned Foreign Affiliates 1966-77, Major Industry by Area of Affiliate<sup>1</sup>

	Number of employees			Percent			
	Employment of majority-owned affiliates			Distribution			Compound annual rate of growth
	1966	1977	Change	1966	1977	Change	
All industries	2,541,011	6,628,714	2,087,703	100	100	100	4.2
Developed countries	2,024,255	5,359,250	1,404,995	71	79	59	4.1
Canada	723,072	940,690	207,618	28	17	10	2.3
Europe	1,548,740	2,811,286	1,051,564	49	48	52	4.9
Other	752,443	507,274	-245,169	7	7	7	4.0
Developing countries	1,081,546	1,552,529	470,983	29	29	30	4.4
Latin America	112,443	1,029,449	347,007	20	19	17	3.7
Other	919,204	458,180	-278,976	9	11	13	3.8
International <sup>2</sup>	24,410	36,785	12,375	1	1	1	0
Mining	146,873	60,945	-85,928	100	100	100	-5.3
Developed countries	40,052	45,424	5,372	27	56	-8	-1.2
Canada	21,893	27,079	5,186	15	38	-9	2.2
Europe	4,103	784	-3,319	3	1	8	-14.0
Other	14,556	17,561	2,995	10	22	-5	1.7
Developing countries	106,821	35,541	-71,280	73	44	106	-9.5
Latin America	70,844	23,147	-47,697	48	29	72	-9.7
Other	35,977	12,394	-23,583	24	15	35	-9.2
International <sup>2</sup>	0	0	0	0	0	0	0
Petroleum	318,837	293,856	-24,981	100	100	100	-7.8
Developed countries	166,934	161,466	-5,468	52	55	28	-3.3
Canada	33,122	49,761	16,639	10	17	-59	2.5
Europe	110,538	93,050	-17,488	35	32	28	-1.5
Other	18,273	18,655	382	6	6	-2	2.2
Developing countries	132,109	108,209	-23,900	42	37	121	-1.8
Latin America	47,013	33,013	-14,000	15	11	121	-4.9
Other	75,096	75,196	100	24	26	1	(*)
International <sup>2</sup>	14,594	34,181	19,587	5	8	-43	4.7
Manufacturing	2,425,615	6,909,773	1,484,157	100	100	100	4.4
Developed countries	1,933,220	5,907,125	1,772,901	80	72	59	3.5
Canada	620,435	574,541	-45,894	21	10	4	3.9
Europe	1,228,975	1,933,643	744,668	51	51	60	4.4
Other	173,215	248,242	75,027	7	6	5	7.3
Developing countries	492,391	1,102,647	610,256	20	28	41	7.6
Latin America	331,938	773,166	441,228	15	20	28	8.4
Other	100,453	229,481	128,928	4	8	15	11.4
International <sup>2</sup>	0	0	0	0	0	0	0
Trade	288,174	687,860	399,686	100	100	100	8.2
Developed countries	201,019	573,730	372,711	70	83	93	10.0
Canada	68,464	142,091	73,627	23	21	20	7.6
Europe	118,513	363,507	245,094	39	58	62	11.2
Other	20,042	67,132	47,090	8	10	11	9.9
Developing countries	85,413	115,130	29,717	30	17	7	2.5
Latin America	57,584	79,215	21,631	20	12	6	2.9
Other	27,829	35,915	8,086	10	5	2	2.3
International <sup>2</sup>	1,742	0	-1,742	1	0	0	0
Finance (except banking), insurance, and real estate	37,519	57,613	20,094	100	100	100	5.5
Developed countries	32,793	57,654	24,861	87	85	83	5.3
Canada	26,545	31,808	5,263	71	47	77	1.7
Europe	4,815	18,704	14,089	13	28	47	18.6
Other	1,433	7,142	5,709	4	11	18	14.4
Developing countries	4,468	9,964	5,496	12	15	18	7.5
Latin America	2,909	8,778	5,869	8	10	13	8.0
Other	1,519	3,186	1,667	4	5	5	6.8
International <sup>2</sup>	288	0	-288	1	0	0	0
Other industries	379,182	588,452	209,270	100	100	100	4.1
Developed countries	294,932	594,920	299,988	42	50	64	5.7
Canada	68,128	114,320	46,192	17	20	25	5.6
Europe	77,835	151,018	73,183	21	26	35	6.3
Other	19,914	29,582	9,668	5	5	4	3.2
Developing countries	210,424	294,132	83,708	55	48	34	5.7
Latin America	132,159	142,145	10,986	35	24	9	2.8
Other	78,265	151,987	73,722	21	24	25	5.2
International <sup>2</sup>	7,586	12,534	4,948	2	2	2	0

<sup>1</sup> Less than 0.5% (±).

2. Data are from BEA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data in this table have been adjusted to improve comparability and, therefore, differ from previously published data. Majority-owned affiliates are affiliates owned more than 50 percent by all U.S. parents combined. (See text for discussion.)

3. This refers to a negative change; thus, for individual areas, growth results in a negative share of the change and a decline results in a positive share.

4. Growth rates and amount of change are not shown because the 1977 definition of "international" differed from that for 1966. (See text for discussion.)

Table 5.—Total Assets of Allied Foreign Affiliates, 1966 and 1977, Country by Industry of Affiliate<sup>1</sup>

(Millions of dollars)

	1966							1977						
	All industries	Mining	Petroleum	Manufacturing <sup>2</sup>	Trade	Finance (except bank, insur., and real estate)	Other industries	All industries	Mining	Petroleum	Manufacturing <sup>2</sup>	Trade	Finance (except bank, insur., and real estate)	Other industries
All countries	109,372	5,432	27,715	47,846	9,094	11,253	3,968	443,363	14,571	195,889	176,843	46,893	69,954	29,282
Developed countries	78,763	3,016	18,885	39,476	6,788	9,117	4,965	320,175	9,908	68,483	141,339	35,254	45,832	18,369
Canada	29,192	2,109	5,111	11,973	1,634	6,375	1,991	83,132	8,282	17,172	30,400	6,250	18,349	5,879
Europe	40,173	49	8,265	22,651	4,600	2,821	1,767	188,415	215	37,609	90,891	25,471	21,670	11,569
European Communities (9)	33,340	6	7,652	29,078	2,904	1,450	1,190	182,282	85	30,590	73,592	18,458	16,000	9,615
Belgium	1,930	0	390	1,282	245	0	0	11,984	0	1,437	6,900	2,044	1,324	0
Denmark	441	0	0	12	0	0	0	1,694	0	0	383	528	0	0
France	3,945	0	970	3,046	650	164	197	20,377	0	6,291	19,510	5,019	1,050	0
Germany	7,012	0	2,033	4,005	478	358	145	83,636	0	6,291	19,510	2,894	2,062	0
Ireland	166	0	0	102	5	0	0	2,784	0	355	1,417	103	0	0
Italy	3,273	0	919	2,019	210	15	108	11,614	0	2,327	6,687	1,525	311	500
Luxembourg	453	0	0	104	0	341	0	1,387	0	64	76	613	0	0
Netherlands	2,303	0	844	975	226	68	37	18,257	0	4,319	6,118	1,879	2,915	2,235
United Kingdom	12,790	2	2,131	8,459	1,007	481	628	51,068	6	11,387	24,416	4,522	7,959	2,238
Other Europe	6,885	34	1,215	2,508	1,826	871	577	86,213	127	7,028	11,950	9,985	6,171	1,941
Austria	220	0	0	76	45	0	0	2,284	0	0	228	551	0	176
Greece	334	4	106	130	11	2	75	750	4	202	383	116	26	16
Norway	406	0	125	215	27	1	0	4,436	0	3,257	632	398	0	128
Portugal	125	0	0	63	16	0	0	545	0	122	290	104	0	0
Spain	1,349	0	114	1,023	116	13	33	9,561	32	932	6,967	977	235	457
Sweden	901	0	829	295	116	0	0	3,518	0	879	1,562	785	141	149
Switzerland	2,969	0	175	637	1,196	747	314	13,488	0	740	1,426	6,555	3,855	912
Turkey	292	4	181	107	14	0	5	517	0	147	41	0	0	0
Other	338	0	0	56	85	0	0	1,104	0	154	183	456	200	109
Japan	3,397	0	1,555	1,601	207	76	47	25,914	0	10,472	11,024	3,125	920	376
Australia, New Zealand, and South Africa	5,399	859	1,155	3,021	348	345	290	22,714	4,488	3,234	9,023	2,405	2,898	756
Australia	4,486	0	884	2,392	185	291	0	17,215	0	2,049	6,511	1,688	2,491	0
New Zealand	296	0	0	112	65	0	0	973	0	0	397	201	55	0
South Africa	1,216	0	0	907	97	0	61	4,526	516	0	2,116	519	396	0
Developing countries	26,213	2,415	8,290	6,729	1,912	2,044	2,827	166,785	4,511	27,332	35,505	7,890	28,121	7,187
Latin America	18,125	1,682	8,883	7,108	1,528	1,268	2,053	71,312	3,193	7,961	27,892	5,063	24,825	3,282
South America	11,512	1,351	8,079	4,585	758	1,801	1,023	29,615	2,244	2,821	19,092	2,016	1,670	1,262
Argentina	1,396	0	217	1,415	92	88	0	2,886	0	347	2,097	268	32	0
Brazil	1,995	75	112	1,374	186	107	84	16,965	1,180	985	12,647	843	1,255	466
Chile	1,585	0	0	159	42	0	0	397	0	97	157	52	4	0
Colombia	1,047	0	384	455	63	0	23	1,715	0	338	1,919	132	37	0
Ecuador	85	0	6	41	10	0	28	431	0	195	174	47	6	18
Peru	1,177	473	155	804	111	21	113	1,697	0	371	294	0	4	24
Venezuela	3,660	0	2,098	754	216	135	0	4,555	0	229	2,961	831	251	0
Other	634	223	0	72	38	58	0	771	18	188	344	0	32	0
Central America	4,495	203	304	2,232	399	519	440	13,731	336	807	7,580	1,066	2,254	937
Mexico	2,787	196	69	2,005	258	140	121	5,723	306	107	6,516	649	397	335
Panama	1,975	0	102	39	312	374	252	3,462	4	493	104	623	1,863	293
Other	551	7	153	183	31	5	267	1,546	46	219	706	186	37	302
Other Western Hemisphere	1,818	118	600	291	171	348	390	28,068	609	4,332	730	896	20,372	562
Bahamas	451	0	42	39	44	159	111	1,870	0	61	284	461	0	0
Bermuda	240	0	0	5	0	0	0	17,215	0	1,884	0	412	14,922	186
Netherlands Antilles	209	0	0	0	0	0	0	5,445	0	583	2	14	4,768	0
Trinidad and Tobago	269	0	0	0	0	0	0	1,450	0	1,151	184	16	0	0
Other	600	117	121	21	0	0	0	2,087	572	0	457	190	0	381
Other Africa	2,900	0	1,521	336	76	57	0	8,690	1,288	4,484	951	415	686	784
Seychelles	1,078	0	980	32	16	0	0	2,725	0	2,285	138	34	0	206
Egypt	81	0	74	0	0	1	0	1,092	0	982	0	0	1	102
Libya	809	0	793	3	5	0	0	1,097	0	1,077	0	0	0	0
Other	177	0	122	0	0	0	0	536	0	258	111	65	2	100
Sub-Saharan	1,793	0	532	383	60	0	0	6,874	1,288	2,195	815	323	683	879
Liberia	221	0	19	3	5	0	0	910	0	0	0	0	0	186
Nigeria	230	2	243	23	7	0	0	1,781	0	1,124	196	110	0	0
Other	1,272	652	270	277	48	0	0	3,203	0	0	628	0	0	0
Middle East	2,266	0	1,899	102	19	31	218	13,401	25	8,346	1,960	643	587	2,130
Israel	126	0	0	42	1	28	0	1,062	0	515	31	0	0	0
OPEC	1,686	0	1,541	48	3	2	50	11,552	25	8,292	514	508	0	0
Iran	449	0	374	44	6	1	23	3,094	0	1,622	478	422	18	0
Other	1,196	0	1,167	4	2	1	27	2,458	0	6,658	44	86	0	0
Other	484	0	0	15	10	6	0	788	0	0	27	64	44	0
Other Asia and Pacific	3,051	0	1,078	1,184	290	64	0	16,383	224	3,931	6,002	1,713	522	1,001
Hong Kong	263	0	78	26	82	15	84	2,457	0	589	463	888	312	318
India	768	0	217	501	18	0	0	1,306	0	107	1,091	17	0	0
Indonesia	312	0	200	0	1	0	9	3,024	0	2,325	358	28	11	0
Malaysia	139	0	72	23	13	0	0	889	0	437	280	83	0	0
Philippines	906	0	234	353	115	24	178	1,837	0	0	871	182	80	0
Singapore	61	0	0	16	18	1	0	1,544	0	577	589	250	38	118
South Korea	0	0	0	80	1	0	1	2,232	0	945	1,215	72	28	33
Taiwan	106	0	0	55	1	0	0	683	0	45	731	34	5	6
Thailand	165	0	62	73	17	1	12	657	18	241	240	111	5	45
Other	0	0	129	48	23	0	0	434	0	187	0	30	0	77
International <sup>3</sup>	4,307	0	2,634	0	394	36	1,178	14,962	0	10,075	0	0	0	4,427
Addendum—OPEC <sup>4</sup>	6,782	221	4,938	869	258	141	329	23,320	373	13,450	4,237	1,655	589	3,826

<sup>1</sup> Less than \$500,000.<sup>2</sup> Suppressed to avoid disclosure of data of individual companies.<sup>3</sup> Data are from BEA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data in this table have been adjusted to improve comparability and, therefore, differ from previously published data. Allied affiliates are affiliates 25 percent or more owned by U.S. parents. (See text for discussion.)<sup>4</sup> Comparable data for 1966 and 1977 on total assets of allied affiliates by country cross-sectional.

Data by major manufacturing subindustry are available on request. Write Ned G. Howenstein, Bureau of Economic Analysis (BE-50), U.S. Department of Commerce, Washington, D.C. 20230.

<sup>5</sup> Except for petroleum, data for 1966 and 1977 for "international" are not comparable because the 1977 definition of "international" differed from that for 1966. (See text for discussion.)<sup>6</sup> OPEC consists of Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela, and the United Arab Emirates.



As a result, the share of total assets of all affiliates accounted for by European affiliates increased from 37 percent to 42 percent, and the share accounted for by Canadian affiliates decreased from 27 percent to 19 percent.

Affiliate assets grew more slowly in Canada than in Europe, even though growth in real GNP in Canada was at least as rapid as in each of the major European countries. The slower asset growth occurred partly because some of the factors that had stimulated affiliate growth in Europe were absent in Canada. For example, unlike the major European countries, Canada was not involved in any institutional changes comparable to the formation and subsequent enlargement of the EC. Also, changes in U.S.-Canadian exchange rates during the period did not follow the pattern for most U.S.-European exchange rates. The U.S. dollar probably was not overvalued relative to the Canadian dollar before 1971 and, in contrast to its depreciation against many major European currencies, the U.S. dollar appreciated relative to the Canadian dollar after 1971. Slower growth for Canadian affiliates also may have reflected heightened Canadian interest during the period in increasing domestic ownership and control of business activity. The Foreign Investment Review Agency was established in 1974 to screen takeovers by foreign firms already operating in Canada and all new investment by foreign firms with no existing Canadian operations. In addition, tax and other regulatory measures, including export controls, probably discouraged growth.

Within Europe, affiliates in the United Kingdom, Germany, the Netherlands, France, and Switzerland accounted for the largest shares of the asset growth. Among these countries, growth rates were highest for affiliates in the Netherlands (20.7 percent) and Germany (15.3 percent).

In "other" developed countries—which consists of Australia, New Zealand, South Africa, and Japan—affiliate assets grew at a 16.1-percent rate. Growth was particularly rapid in Japan (20.3 percent), where domestic markets grew rapidly and foreign investment controls were gradually relaxed.

Among developing countries, the growth rate of affiliate assets was 13.3 percent in Latin America and 14.8 percent in "other" developing countries. In Latin America, affiliate in Bermuda, Brazil, Mexico, and the Netherlands Antilles accounted for particularly large shares of the growth. In Bermuda and the Netherlands Antilles, the growth was almost entirely attributable to finance affiliates of U.S. petroleum and manufacturing MNC's, which assumed certain financing functions for the worldwide MNC operations during the period. (The activities of these affiliates are discussed in more detail below.)

In "other" developing countries, the largest increases in affiliate assets were in Saudi Arabia, Indonesia, Iran, and South Korea. Among these countries, the growth rate was particularly high in South Korea.

For individual industries, the pattern of growth among areas often differed significantly from that for all industries combined. For example, although the growth rates for all-industries combined were about the same in developed and developing countries, petroleum affiliates grew significantly faster in developed countries than in developing countries. Manufacturing affiliates, on the other hand, grew faster in developing countries. In addition, affiliate growth rates often varied significantly among areas within individual industries. Patterns of growth among areas for each of the major industries, and some of the factors that may have influenced those patterns, are discussed below.

**Mining**—Assets of affiliates in mining grew at an 11.4-percent rate in developed countries and a 6.3-percent rate in developing countries (table 8).

In developed countries, virtually all the growth was in Canada and "other" developed countries, mainly Australia. Growth rates were significantly higher in Australia than in Canada—16.9 percent compared with 8.7 percent—even though Australia, like Canada, instituted policies in the early 1970's that slowed the growth in foreign investment. Policies in Australia may have been less restrictive than those in Canada, particularly in mining, where controls imposed ini-

tially were later relaxed in the interest of timely mineral resource development. Also, growth for Australian affiliates was from a smaller 1966 base and it was more concentrated in the mining of bauxite, which was subject to particularly sharp price increases during 1966-77.

In developing countries, growth was largely in Latin America, where affiliate assets grew at a 6.0-percent rate. The growth rate was particularly high in Brazil, at 28.7 percent. Partly offsetting were declines in assets in Chile, Venezuela, and Surinam. The decline in Chile resulted from nationalizations of affiliates, and those in Venezuela and Surinam reflected a change in BEA's industry classification rules; as a result of the change, some affiliates that were in mining in 1966 were classified in primary metals manufacturing in 1977.<sup>10</sup>

**Petroleum**—Assets of petroleum affiliates grew at a 13.7-percent rate in developed countries and an 11.3-percent rate in developing countries.

In developed countries, growth was rapid in both Europe (14.1 percent) and "other" developed countries (15.9 percent). In Europe, affiliates in the United Kingdom, Germany, the Netherlands, and Norway accounted for particularly large shares of the growth. Among these countries, growth rates were highest in Norway (34.6 percent) and the United Kingdom (16.9 percent), where affiliates were engaged in exploration and development activities in the North Sea. In "other" developed countries, growth was centered in Japan, where affiliates in refining and marketing grew substantially.

In Canada, the country that accounted for the largest share of petroleum affiliate assets, the growth rate was 11.7 percent. Growth was relatively slow because substantial development of Canada's oil resources and petroleum distribution and refining network had taken place before the 1966-77 period. Also, foreign investment in natural resource industries was particularly affected by the previ-

10. In 1966, foreign affiliates with integral mining and smelting operations were classified in mining. In 1977, such affiliates were classified in primary metals manufacturing.

Table 6.—Employment of Majority-Owned Foreign Affiliates, 1966 and 1977, Country by Industry of Affiliate<sup>1</sup>

	1966						1977					
	All industries <sup>2</sup>	Mining	Petroleum	Manufacturing <sup>3</sup>	Trade	Finance (except bank, insur., and real estate)	All industries <sup>2</sup>	Mining	Petroleum	Manufacturing <sup>3</sup>	Trade	Finance (except bank, insur., and real estate)
All countries.....	2,591,911	146,872	312,437	2,425,910	288,174	37,519	3,828,714	68,948	264,584	3,905,773	687,888	67,618
Developed countries.....	2,534,366	49,852	166,924	1,933,225	241,019	32,793	3,353,329	45,424	161,486	2,267,124	572,738	47,684
Canada.....	133,072	21,383	38,122	520,435	43,464	25,545	340,080	27,079	48,761	574,541	142,091	31,208
Europe.....	1,549,740	4,106	110,399	1,228,975	118,818	4,515	2,611,306	784	59,050	1,969,443	883,207	18,704
European Communities (9).....	1,402,417	(*)	95,511	1,151,483	89,181	3,008	2,307,649	(*)	74,888	1,793,316	287,101	16,486
Belgium.....	78,988	(*)	8,902	65,914	7,111	117	130,125	(*)	4,581	94,048	21,648	1,469
Denmark.....	31,476	(*)	(*)	4,403	(*)	(*)	17,829	(*)	(*)	7,835	5,877	(*)
France.....	301,748	(*)	13,642	160,858	17,832	489	398,158	(*)	(*)	399,204	43,882	1,585
Germany.....	338,620	(*)	36,062	271,459	23,795	1,090	515,707	(*)	16,894	423,002	53,755	2,440
Ireland.....	8,114	(*)	(*)	6,894	461	(*)	25,446	(*)	2,115	20,317	2,961	(*)
Italy.....	306,643	(*)	8,577	24,487	7,480	(*)	185,610	(*)	8,273	145,236	16,898	582
Luxembourg.....	5,877	(*)	(*)	2,718	(*)	(*)	7,485	(*)	105	7,283	84	(*)
Netherlands.....	49,330	(*)	4,714	24,318	6,279	64	106,051	(*)	5,762	73,742	14,782	763
United Kingdom.....	802,361	(*)	24,447	528,468	24,501	1,061	961,040	(*)	27,562	725,752	138,328	9,840
Other Europe.....	147,388	(*)	15,028	57,492	24,432	1,618	303,657	(*)	12,182	180,327	66,108	3,218
Austria.....	18,717	(*)	(*)	9,133	1,914	(*)	23,070	(*)	(*)	15,536	6,898	(*)
Sweden.....	5,379	(*)	1,874	1,174	611	(*)	13,863	(*)	1,767	7,964	1,887	544
Norway.....	10,777	(*)	1,738	9,112	1,230	(*)	18,725	(*)	6,247	6,499	4,057	(*)
Portugal.....	7,388	(*)	(*)	4,681	1,282	(*)	13,431	(*)	(*)	8,152	3,381	(*)
Spain.....	40,812	(*)	(*)	82,183	8,608	(*)	135,252	(*)	830	108,966	17,422	516
Sweden.....	28,586	(*)	4,242	13,039	4,985	(*)	35,584	(*)	4,608	19,776	8,364	75
Switzerland.....	20,988	(*)	328	15,337	2,708	1,422	42,066	(*)	1,809	16,492	19,703	898
Turkey.....	3,268	(*)	(*)	3,815	1,893	(*)	11,876	(*)	(*)	5,662	566	(*)
Other.....	6,726	(*)	1,602	1,178	1,121	57	8,810	(*)	1,610	2,879	8,214	42
Japan.....	31,577	(*)	3,030	18,828	5,908	(*)	68,546	(*)	(*)	40,834	15,778	3,350
Australia, New Zealand, and South Africa.....	230,788	14,266	15,248	165,187	19,042	(*)	318,388	17,561	(*)	208,108	51,754	3,792
Australia.....	143,643	(*)	(*)	105,585	9,968	1,178	213,106	13,962	8,168	138,229	37,886	3,245
New Zealand.....	12,501	(*)	(*)	6,488	3,339	(*)	18,016	(*)	(*)	11,668	3,483	283
South Africa.....	54,322	(*)	(*)	48,715	5,833	100	87,266	(*)	(*)	59,211	10,585	284
Developing countries.....	1,331,646	106,521	132,188	492,381	68,413	(*)	1,332,639	35,541	146,208	1,162,647	115,150	9,944
Latin America.....	712,442	70,544	57,018	391,388	57,594	2,909	1,050,449	23,147	38,013	772,148	79,216	6,778
South America.....	483,432	40,864	42,584	230,229	39,438	1,785	634,933	12,636	18,122	492,758	49,188	3,713
Argentina.....	97,574	(*)	3,256	80,377	4,918	92	106,488	(*)	6,666	84,827	6,880	3,224
Brazil.....	148,084	1,242	6,080	116,235	8,706	786	280,620	1,072	6,408	308,715	18,711	2,276
Chile.....	42,132	(*)	(*)	8,835	2,424	(*)	10,790	(*)	510	4,174	1,070	(*)
Colombia.....	37,181	(*)	4,649	25,084	4,688	(*)	45,070	(*)	3,094	22,778	5,913	520
Ecuador.....	6,858	(*)	845	1,570	2,131	(*)	7,338	(*)	671	3,446	1,096	82
Paraguay.....	59,291	26,445	(*)	16,757	5,533	(*)	22,565	(*)	990	8,108	3,843	(*)
Venezuela.....	88,782	(*)	21,859	28,813	8,793	215	71,847	(*)	2,102	49,840	13,439	362
Other.....	18,860	6,439	(*)	6,219	1,325	(*)	17,482	(*)	515	12,812	700	(*)
Central America.....	183,180	6,634	2,598	103,979	15,371	615	239,853	8,215	3,481	234,021	26,119	1,438
Mexico.....	128,731	(*)	716	97,272	11,851	(*)	242,188	(*)	1,450	306,228	19,887	575
Panama.....	16,551	(*)	385	411	2,771	145	11,838	(*)	(*)	1,469	2,377	304
Other.....	56,925	(*)	1,456	8,296	1,249	(*)	80,174	(*)	4,558	27,353	4,106	584
Other Western Hemisphere.....	50,902	3,166	11,851	7,126	2,177	479	25,104	84,585	5,885	46,389	3,941	1,612
Bahamas.....	5,925	(*)	108	948	781	336	7,750	(*)	(*)	416	387	446
Bermuda.....	1,461	(*)	(*)	27	27	46	2,106	(*)	76	344	288	(*)
Netherlands Antilles.....	(*)	(*)	(*)	(*)	(*)	(*)	8,515	(*)	(*)	294	169	61
Trinidad and Tobago.....	11,012	(*)	(*)	1,187	(*)	(*)	882	(*)	(*)	1,388	337	(*)
Other.....	4,186	(*)	1,251	(*)	(*)	28	20,171	(*)	5,137	1,026	2,214	(*)
Other Africa.....	32,189	(*)	18,484	6,196	6,744	(*)	97,440	6,881	17,635	26,212	5,677	516
Sahara.....	14,682	(*)	8,875	2,965	1,267	(*)	19,816	(*)	8,977	2,492	906	(*)
Egypt.....	3,754	(*)	1,450	(*)	672	(*)	5,596	(*)	2,767	(*)	(*)	(*)
Libya.....	5,793	(*)	5,824	(*)	121	(*)	4,883	(*)	4,218	(*)	(*)	(*)
Other.....	5,125	(*)	2,891	(*)	564	(*)	822	(*)	808	2,076	(*)	(*)
Sub-Saharan.....	77,567	35,225	9,609	3,842	5,487	(*)	78,124	9,831	9,558	22,720	4,369	(*)
Liberia.....	25,714	(*)	(*)	(*)	(*)	(*)	22,508	(*)	(*)	(*)	(*)	(*)
Nigeria.....	7,215	(*)	3,007	2,389	(*)	(*)	11,325	(*)	4,304	3,678	1,504	(*)
Other.....	44,578	31,545	(*)	4,297	(*)	(*)	49,783	(*)	(*)	(*)	177	3,871
Middle East.....	37,858	(*)	25,685	2,740	1,341	399	92,420	(*)	36,424	9,824	4,242	313
Israel.....	2,971	(*)	1,328	(*)	(*)	(*)	1,119	(*)	(*)	6,230	1,275	128
OPEC.....	23,940	(*)	18,890	875	525	(*)	74,832	(*)	38,894	1,845	1,929	54
Iran.....	4,524	(*)	2,787	876	414	(*)	17,857	(*)	1,723	1,770	1,579	(*)
Other.....	19,416	(*)	16,103	(*)	111	(*)	56,975	(*)	29,271	15	858	54
Other Asia and Pacific.....	189,177	(*)	29,927	91,580	19,744	1,172	403,230	(*)	21,127	295,783	25,983	2,257
Hong Kong.....	15,274	(*)	759	10,017	3,443	370	39,781	(*)	535	30,490	4,872	2,855
India.....	52,631	(*)	(*)	30,346	1,610	(*)	35,216	(*)	(*)	34,562	(*)	898
Indonesia.....	(*)	(*)	(*)	(*)	(*)	(*)	47,783	(*)	12,606	12,961	1,087	200
Malaysia.....	1,244	(*)	1,171	1,799	880	(*)	34,720	(*)	1,324	27,458	1,635	(*)
Philippines.....	47,569	(*)	3,823	30,196	8,483	313	95,040	(*)	1,988	67,238	6,276	(*)
Singapore.....	3,905	(*)	(*)	1,223	(*)	(*)	11,325	(*)	2,426	30,880	3,014	(*)
South Korea.....	(*)	(*)	(*)	(*)	(*)	(*)	15,332	(*)	(*)	11,315	554	(*)
Taiwan.....	12,351	(*)	(*)	4,894	(*)	(*)	63,257	(*)	320	60,612	2,049	43
Thailand.....	12,784	(*)	1,354	8,971	(*)	(*)	20,296	(*)	784	9,716	4,835	(*)
Other.....	(*)	(*)	3,587	(*)	(*)	(*)	11,096	(*)	(*)	7,225	(*)	(*)
International <sup>4</sup> .....	34,418	(*)	14,594	(*)	1,742	(*)	36,765	(*)	24,191	(*)	(*)	12,584
Addendum—OPEC <sup>5</sup> .....	123,903	3,808	51,376	32,991	13,665	279	224,480	(*)	55,684	11,817	19,392	952

<sup>1</sup> Suppressed to avoid disclosure of data of individual companies.<sup>2</sup> Data are from BEA's 1966 and 1977 benchmark surveys of U.S. direct investment abroad. Data in this table have been adjusted to improve comparability and, therefore, differ from previously published data. Majority-owned affiliates are affiliates owned more than 50 percent by all U.S. parents combined. (See text for discussion.)<sup>3</sup> Comparable data for 1966 and 1977 on total assets of majority-owned affiliates by country cross-classified by industry are available on request. Write Neil O. Howenstein, Bureau of Economic Analysis (BE-80), U.S. Department of Commerce, Washington, D.C. 20230.<sup>4</sup> Comparable data for 1966 and 1977 on employment of majority-owned affiliates by country cross-classified by major manufacturing subindustry are available on request. For address, see footnote 2.<sup>5</sup> Except for petroleum, data for 1966 and 1977 for "international" are not comparable because the 1977 definition of "international" differed from that for 1966. (See text for discussion.)<sup>6</sup> OPEC consists of Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela and the United Arab Emirates.



ously mentioned "Canadianization" policies.

In developing countries, affiliate assets grew at a 6.7-percent rate in Latin America and at a 14.2-percent rate in "other." In Latin America, growth was dampened by nationalizations in Venezuela. In "other," growth was primarily attributable to affiliates engaged in crude oil production; it was strongest in Middle Eastern countries that were members of the Organization of Petroleum Exporting Countries (OPEC) and in Indonesia, Nigeria, and Egypt.

**Manufacturing**—Nearly four-fifths of the increase in manufacturing affiliate assets was in developed countries. This concentration reflected the much larger 1966 base in these countries—assets of manufacturing affiliates in developed countries were almost five times as large as those in developing countries in 1966. Growth rates, however, were somewhat higher in developing countries—13.6 percent compared with 12.4 percent.

Growth was faster in developing countries partly because markets were growing faster there. Also, industrialization in a number of the larger developing countries was particularly rapid during this period. Finally, policies of some Latin American countries that encouraged investment in import-competing industries, and of some Asian countries that promoted domestic production of goods for export, may have stimulated affiliate growth.

In developed countries, manufacturing affiliate assets grew more rapidly in Europe (13.5 percent) than in Canada (8.8 percent). The previously mentioned factors were particularly significant in manufacturing. Growth in Europe was largely accounted for by affiliates in the United Kingdom, Germany, France, Spain, the Netherlands, Belgium, and Italy. Among these countries, growth rates were highest in Spain (18.9 percent) and the Netherlands (13.2 percent).

In "other" developed countries, affiliate assets grew at a 14.5-percent rate. Growth was largely attributable to affiliates in Japan, where the growth rate was 19.9 percent.

In developing countries, affiliate assets grew at a 15.6-percent rate in "other" developing countries and at a

13.1-percent rate in Latin America. Growth was more rapid in "other" developing countries, partly because some economies, such as in Korea, Hong Kong, Taiwan, and Singapore, were growing particularly fast. Also, in "other" developing countries, affiliate growth reflected strong growth in exports, as well as in sales to local markets. Policies in some of these countries, such as the fast-growing Asian countries mentioned above, promoted the manufacture, by both foreign and domestic investors, of products for export. In contrast, in Latin America, the share of U.S. affiliate sales that was to local markets was much higher (and the share to export markets much lower) than in "other" developing countries. As a result, affiliate growth in Latin America depended to a significant degree on the rate at which local markets grew or on affiliates' ability to increase their share of such markets. In addition, as noted earlier, policies in Latin America often resulted in stimulating investment in import-competing, rather than export-oriented, industries.<sup>11</sup>

In Latin America, affiliates in Brazil, whose assets grew at a 21.8-percent rate, accounted for almost 40 percent of the growth. Growth in the Brazilian economy was particularly rapid—real GNP grew at a 9.3-percent rate from 1966 to 1977. Mexican and Venezuelan affiliates also accounted for substantial shares of growth, although their growth rates—11.8 and 13.3 percent, respectively—were lower than in Brazil.

In "other" developing countries, affiliates in Korea, Taiwan, Singapore, Israel, and Hong Kong accounted for substantial shares of the growth. In each, the affiliate growth rate exceeded 25 percent.

**Trade**—Growth rates for trade affiliates were 17.0 percent in developed countries and 13.7 percent in develop-

ing countries. Growth in both areas was largely attributable to wholesale trade affiliates.

The more rapid growth in developed countries probably reflected these countries' greater importance as markets for goods sold by U.S. MNC's, whether the goods were produced in the United States or other developed countries. Growth was concentrated in Europe, where affiliates in Switzerland, the United Kingdom, Germany, and France combined accounted for more than 60 percent of the European total. Among these countries, the growth rate was highest in Germany (17.9 percent).

Growth rates were 13.0 percent in Canada and 23.3 percent in "other" developed countries. In the latter, more than one-half of the growth was attributable to Japanese affiliates.

Among developing countries, growth rates were 11.5 percent in Latin America and 19.7 percent in "other." In Latin America, over one-half of the growth was attributable to affiliates in Venezuela, Brazil, and Mexico; among these three, growth was most rapid in Brazil. In "other" developing countries, over one-half of the growth was attributable to affiliates in Hong Kong, Iran, and Singapore; among these three, growth was most rapid in Iran.

**Finance (except banking), insurance, and real estate**—Growth rates for affiliates in finance (except banking), insurance, and real estate were 15.4 percent in developed countries and 26.1 percent in developing countries. The especially rapid growth in developing countries was largely attributable to affiliates in Latin America, particularly those in Bermuda and the Netherlands Antilles.

In Bermuda, growth largely reflected the 1974 establishment of, and subsequent increases in investment in, finance affiliates by U.S. petroleum MNC's. Total assets of the new finance affiliates were boosted particularly by the transfer to them of accounts receivable due their U.S. parents from European petroleum affiliates. The value of these receivables was large due to the sharp increase in petroleum prices in 1973 and 1974.

In the Netherlands Antilles, growth was strong because, early in the period, U.S. MNC's established fi-

11. Rough comparisons of data for majority-owned affiliates from the two benchmark surveys indicate that, in both 1966 and 1977, at least 90 percent of the sales of manufacturing affiliates in Latin America were to local markets. In contrast, in "other" developing countries, only about three-fourths of manufacturing affiliate sales in 1966, and less than one-half of their sales in 1977, were to local markets. Export sales of affiliates in "other" developing countries grew over 25 percent per year, more than twice as fast as the local sales of Latin American manufacturing affiliates.

Table 7.—Compound Annual Rates of Growth in Total Assets of Allied Foreign Affiliates and Employment of Majority-Owned Foreign Affiliates, 1965-77, Country by Industry of Affiliate<sup>1</sup>  
(Percent)

	Total assets of allied affiliates							Employment of majority-owned affiliates						
	All industries	Mining	Petroleum	Manufacturing <sup>2</sup>	Trade	Finance (except bank, insurance, and real estate)	Other industries	All industries <sup>2</sup>	Mining	Petroleum	Manufacturing <sup>2</sup>	Trade	Finance (except bank, insurance, and real estate)	Other industries
All countries.....	13.6	8.3	13.0	12.8	15.3	18.1	12.7	4.2	-5.3	-0.6	4.4	8.3	5.5	4.1
Developed countries.....	13.6	11.4	12.7	12.4	17.0	16.4	14.7	4.1	1.2	-1.3	3.5	10.0	5.8	6.7
Canada.....	10.0	8.7	11.7	8.8	13.0	10.1	10.0	2.3	2.2	2.5	9	7.8	1.7	5.6
Europe.....	15.1	16.5	14.1	13.5	17.3	22.5	18.6	4.9	-14.0	-1.6	4.4	11.2	13.6	6.3
Europe Communities (9).....	14.8	17.9	13.4	13.3	16.9	24.8	20.9	4.6	38.0	-2.2	4.1	11.6	16.3	6.4
Belgium.....	18.0	(*)	18.6	18.6	21.3	(*)	24.9	4.7	(*)	1.4	3.8	10.7	25.9	(*)
Denmark.....	14.0	(*)	10.6	10.7	(*)	(*)	12.3	4.0	(*)	-2.5	5.0	(*)	(*)	4.0
France.....	13.8	(*)	14.1	14.1	15.3	19.3	(*)	5.6	(*)	3.8	5.6	8.5	11.0	(*)
Germany.....	15.3	(*)	11.7	15.7	17.8	17.7	(*)	3.9	(*)	-7.4	4.3	8.1	7.6	(*)
Ireland.....	25.9	n.s.	(*)	27.0	30.8	n.s.	16.6	11.4	(*)	(*)	12.6	14.8	(*)	(*)
Italy.....	12.1	(*)	8.8	11.7	13.9	31.9	15.0	5.1	(*)	-2	5.3	7.7	(*)	(*)
Luxembourg.....	9.8	(*)	(*)	16.2	(*)	5.5	n.s.	6.2	(*)	(*)	6.3	(*)	8.5	(*)
Netherlands.....	20.7	(*)	14.6	12.2	20.0	49.7	42.4	7.1	(*)	1.6	7.2	8.1	25.3	9.0
United Kingdom.....	13.4	9.8	16.9	10.1	14.0	29.1	12.3	4.2	(*)	1.1	3.0	16.9	22.2	(*)
Other Europe.....	16.4	12.7	17.3	15.3	17.9	17.0	11.7	6.9	-18.3	1.7	7.3	9.5	2.9	6.5
Austria.....	22.7	(*)	(*)	19.8	25.7	(*)	(*)	4.5	(*)	(*)	3.7	12.3	(*)	1.4
Greece.....	7.7	-3	5.3	10.8	28.3	33.6	-13.3	9.2	(*)	-1.5	19.0	10.8	(*)	0.1
Norway.....	24.3	(*)	34.6	9.2	24.6	(*)	(*)	5.2	(*)	(*)	-3	11.6	(*)	6.1
Portugal.....	14.8	(*)	(*)	14.7	18.4	(*)	13.0	5.7	(*)	(*)	5.2	10.4	(*)	15.6
Spain.....	19.5	n.s.	21.1	18.9	21.4	29.5	16.9	11.9	(*)	6.7	11.7	15.4	(*)	(*)
Sweden.....	14.5	(*)	9.4	15.4	19.9	(*)	13.9	8.2	(*)	8	3.9	5.6	(*)	9
Switzerland.....	14.6	(*)	14.9	9.2	16.7	16.1	10.2	3.5	(*)	3	4.0	7.2	-3.2	(*)
Turkey.....	5.4	(*)	(*)	2.8	10.3	(*)	(*)	2.4	(*)	(*)	4.0	-5.3	(*)	(*)
Other.....	11.4	(*)	4.2	11.4	16.6	(*)	(*)	2.8	(*)	-2.8	8.5	11.8	-2.7	(*)
Japan.....	29.3	(*)	19.0	19.9	28.9	26.4	20.8	7.5	(*)	(*)	7.4	9.3	(*)	5.6
Australia, New Zealand, and South Africa.....	12.9	15.9	9.8	10.5	19.3	31.8	16.2	3.4	1.7	(*)	2.7	10.1	(*)	2.6
Australia.....	18.0	16.9	8.5	9.9	22.3	31.6	12.0	1.7	(*)	(*)	2.3	14.0	9.7	2.3
New Zealand.....	11.4	(*)	10.8	12.2	16.3	(*)	-4.6	3.5	(*)	(*)	5.7	4	(*)	-6.4
South Africa.....	12.7	(*)	(*)	12.0	16.4	(*)	(*)	2.8	-4.6	(*)	8.1	5.6	16.9	(*)
Developing countries.....	13.9	4.3	11.3	12.4	12.7	26.1	8.9	4.4	-9.5	-1.8	7.6	2.8	(*)	(*)
Latin America.....	13.8	6.0	6.7	13.1	11.5	28.3	4.3	3.7	-9.7	-4.0	8.4	3.9	8.0	3
South America.....	9.7	4.7	-1.5	13.9	11.6	4.6	2.7	2.9	-13.4	-7.6	5.3	2.0	8.9	2.9
Argentina.....	3.9	(*)	4.4	3.6	10.9	-4.6	-1.4	2	(*)	1.1	4	2.4	(*)	(*)
Brazil.....	21.9	28.7	15.8	21.3	14.7	25.1	16.8	9.0	-1.3	5	9.1	6.1	10.2	19.9
Chile.....	-11.6	(*)	(*)	-7	2.0	(*)	-15.6	-12.8	(*)	(*)	-4.4	-7.2	(*)	-18.7
Colombia.....	4.8	(*)	7.0	10.6	(*)	(*)	1.3	1.3	(*)	-3.6	1.8	2.3	(*)	(*)
Ecuador.....	16.8	(*)	37.1	14.2	15.4	22.2	-2.7	2.5	(*)	8.2	7.4	-5.9	(*)	(*)
Peru.....	3.4	(*)	8.3	-1.3	(*)	-13.3	-13.1	-8.5	(*)	(*)	-6.4	-3.3	(*)	-13.6
Venezuela.....	3.1	(*)	-13.3	13.3	14.2	5.8	(*)	4	(*)	-19.2	5.4	3.0	4.7	(*)
Other.....	3.4	-30.4	(*)	16.3	(*)	-6.1	7.6	9	-24.5	(*)	6.6	-5.5	18.5	1.7
Central America.....	10.7	5.3	9.3	11.8	9.8	14.4	3.5	5.9	-2.2	(*)	7.7	4.6	7.7	9
Mexico.....	11.8	4.2	7.5	11.5	11.5	7.4	9.7	6.6	(*)	3.5	7.0	4.6	(*)	(*)
Panama.....	11.2	(*)	16.2	13.9	6.6	15.0	1.4	8	(*)	(*)	12.2	-1.4	8.5	(*)
Other.....	8.2	18.6	3.2	12.7	17.7	30.8	1.3	3.2	(*)	(*)	14.3	11.4	(*)	-7
Other Western Hemisphere.....	28.3	15.8	22.2	9.7	16.2	44.8	6.6	4.7	(*)	1.3	18.6	5.5	11.7	-4.4
Bahamas.....	13.1	(*)	(*)	-3.5	16.9	7.7	(*)	1.8	(*)	(*)	-7.2	2.2	4.6	1.6
Bermuda.....	47.6	(*)	(*)	-2.8	(*)	65.2	18.9	3.4	(*)	(*)	(*)	14.1	20.6	7.1
Netherlands Antilles.....	35.1	(*)	(*)	(*)	33.8	(*)	(*)	(*)	(*)	(*)	(*)	(*)	40.3	(*)
Trinidad and Tobago.....	16.7	(*)	(*)	(*)	(*)	(*)	17.2	1.0	(*)	(*)	4.7	(*)	(*)	(*)
Other.....	12.0	16.6	(*)	(*)	22.8	25.1	(*)	(*)	4.5	-1.6	23.1	(*)	(*)	-9.2
Other Africa.....	10.5	(*)	10.3	10.0	16.3	25.4	(*)	5	(*)	(*)	13.6	-1.6	(*)	(*)
Sahara.....	8.8	(*)	7.9	14.0	16.9	(*)	(*)	2.5	(*)	(*)	5	-3.9	(*)	(*)
Egypt.....	25.4	(*)	26.3	(*)	(*)	3.6	(*)	3.9	(*)	(*)	(*)	(*)	(*)	(*)
Libya.....	2.8	(*)	2.9	(*)	(*)	(*)	-8.8	-1.5	(*)	(*)	(*)	(*)	(*)	(*)
Other.....	10.6	(*)	6.2	(*)	21.7	(*)	(*)	5.0	(*)	-10.3	(*)	(*)	(*)	(*)
Sub-Saharan.....	11.5	(*)	13.6	8.4	16.8	(*)	(*)	1.1	-16.9	(*)	17.5	-1.1	52.2	2.5
Liberia.....	13.7	(*)	(*)	9	(*)	(*)	(*)	-1.2	(*)	(*)	(*)	(*)	(*)	1.8
Nigeria.....	17.9	(*)	15.0	39.8	27.9	(*)	(*)	4.6	(*)	(*)	4.2	(*)	(*)	(*)
Other.....	8.3	(*)	(*)	7.7	(*)	31.7	19.5	-2	(*)	(*)	26.1	(*)	(*)	(*)
Middle East.....	17.4	32.8	15.2	28.7	38.1	30.6	23.3	5.5	(*)	2.9	10.9	11.0	-3.2	16.5
Israel.....	21.4	(*)	(*)	25.6	51.5	(*)	1.4	11.4	(*)	(*)	15.0	(*)	(*)	(*)
OPEC.....	19.4	32.8	16.6	24.9	46.5	(*)	(*)	18.9	(*)	(*)	7.8	12.5	(*)	(*)
Iran.....	19.2	(*)	14.3	24.1	47.3	26.7	(*)	13.8	(*)	(*)	6.5	18.0	(*)	(*)
Other.....	19.5	(*)	17.2	45.7	43.4	(*)	(*)	10.3	(*)	(*)	8.6	11.0	(*)	21.6
Other.....	4.3	(*)	8.7	5.4	16.5	20.1	2.1	-2.7	(*)	-3.9	-1.4	(*)	-6.2	-9
Other Asia and Pacific.....	15.8	(*)	16.8	13.9	17.5	18.1	(*)	7.1	12.9	-3.1	11.3	2.5	6.6	1.7
Hong Kong.....	32.7	(*)	30.7	28.2	23.5	29.0	17.4	9.1	(*)	-2.1	10.7	3.2	3.8	13.8
India.....	5.0	(*)	-6.2	7.3	-3	7.1	12.9	-3.4	(*)	(*)	1.2	(*)	(*)	(*)
Indonesia.....	27.4	(*)	(*)	(*)	38.2	14.5	(*)	(*)	(*)	(*)	(*)	(*)	(*)	74.7
Malaysia.....	18.8	(*)	17.8	25.8	19.5	n.s.	9.8	13.3	(*)	1.1	29.6	-6.8	(*)	(*)
Philippines.....	6.3	n.s.	(*)	8.6	4.2	11.5	(*)	6.5	(*)	-7.2	7.8	(*)	(*)	(*)
Singapore.....	34.2	(*)	(*)	39.4	27.1	37.2	(*)	26.4	(*)	(*)	36.2	7.7	(*)	18.5
South Korea.....	21.5	(*)	(*)	33.1	37.1	n.s.	35.1	(*)	(*)	(*)	25.9	(*)	(*)	(*)
Taiwan.....	13.4	(*)	15.2	11.5	18.4	20.8	13.0	4.2	(*)	(*)	1.7	(*)	(*)	(*)
Thailand.....	(*)	(*)	(*)	13.2	2.4	(*)	(*)	(*)	(*)	-12.5	(*)	-3.3	(*)	-17.4
Other.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
International <sup>4</sup> .....	11.3	4.3	13.8	15.6	18.9	13.9	22.4	5.6	(*)	4.7	7.3	3.4	11.5	(*)
Addendum—OPEC <sup>5</sup> .....	11.3	4.3	9.6	15.6	18.9	13.9	22.4	5.6	(*)	-9	7.3	3.4	11.5	(*)

<sup>1</sup> Less than 0.5% (±).

<sup>2</sup> Suppressed to avoid disclosure of data of individual companies.

n.s. Not shown. Growth rates are not shown in data cells in which total assets were less than \$500,000 in 1965 because rates calculated from such small bases tended to be erratic.

1. Growth rates are based on data in tables 5 and 6 which are, in turn, from BEA's 1968 and 1977 benchmark surveys of U.S. direct investment abroad. Data in tables 5 and 6 have been adjusted to improve comparability and, therefore, differ from previously published data. Allied affiliates are affiliates 25 percent or more owned by U.S. parents. Majority-owned affiliates are affiliates owned more than 50 percent by all U.S. parents combined. (See text for discussion.)

2. Comparable data on growth rates of both total assets of allied affiliates and employment of majority-owned affiliates from 1965 to 1977, by country crossclassified by major manufacturing subindustry, are available on request. Write Ned G. Howenstine, Bureau of Economic Analysis (BE-50), U.S. Department of Commerce, Washington, D.C. 20230.

3. Comparable data on growth rates of total assets of majority-owned affiliates by country crossclassified by industry are available on request. For address, see footnote 2.

4. Except for petroleum, growth rates for "international" are not shown because the 1977 definition of "international" differed from that for 1965. (See text for discussion.)

5. OPEC consists of Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Venezuela, and the United Arab Emirates.

nance affiliates there in response to mandatory controls on U.S.-source financing of foreign affiliates. While the controls were in effect (1968-74), these affiliates borrowed funds in foreign financial markets and loaned them to U.S. parents and other affiliates of the parents. After the controls were dismantled, new borrowing by these affiliates declined and a smaller portion of the proceeds were transferred to U.S. parents. However, these affiliates' assets were still large in 1977, mainly because of the earlier buildup of receivables due from their U.S. parents.

In developed countries, growth was most rapid in Europe (22.5 percent), where affiliates in finance (except banking) and affiliates that were holding companies, each accounted for about 40 percent of the growth. Growth of nonbank finance affiliates in this area, as in Latin America, reflected the greater use of foreign capital markets by U.S. MNC's. For holding companies, the growth in assets largely reflected these affiliates' increased holdings of equity in other foreign affiliates of their U.S. parents. Within Europe, more than one-half of the growth was in the United Kingdom and Switzerland.

Growth was also rapid in "other" developed countries (22.2 percent). Most of the growth was attributable to affiliates in finance (except banking), particularly those in Australia.

**Other industries.**—Assets of affiliates in "other" industries—which consisted of agriculture, forestry, and fishing; construction; transportation, communication, and public utilities; and services—grew at a 14.7-percent rate in developed countries and an 8.9-percent rate in developing countries. Growth was slower in developing countries largely because assets of affiliates in transportation, communications, and public utilities declined. This decline probably reflected increasing pressure for public utilities and transportation systems to be owned and operated by domestic investors.

In developed countries, almost 70 percent of the growth in "other" industries was attributable to affiliates in Europe, where the growth rate was 18.6 percent. Affiliates in the Netherlands, Germany, and the United

Kingdom accounted for most of the growth.

In developing countries, affiliates in "other" accounted for almost three-fourths of the growth. Growth was largely attributable to affiliates in OPEC members in the Middle East.

### Employment

Affiliates employment grew at a 4.2-percent rate, a much lower rate than that for total assets (table 8). The employment growth rate was lower partly because employment data, unlike total assets data, are not affected by changes in valuation due to inflation and changes in exchange rates.

The employment growth rates discussed are for majority-owned foreign affiliates (MOFA's)—i.e., affiliates that are more than 50 percent owned by their U.S. parents—because employment data were collected only for these affiliates in 1966.<sup>12</sup> The pattern based on employment of MOFA's may differ from that based on assets discussed above, partly because the assets data covered allied affiliates. However, comparison of growth in total assets of majority-owned and allied affiliates indicates that the effect of this difference in coverage is small among both industries and areas. By industry, the largest difference was in mining, where MOFA assets grew at a 6.1-percent rate and allied affiliates' assets grew at a 9.4-percent rate. By area, the largest difference was in the developing countries, where MOFA assets grew somewhat slower than assets of allied affiliates. The following discussion compares growth rates of employment and of assets for MOFA's only.

The pattern of growth among industries based on employment differed from that based on total assets. For example, in both mining and petroleum, employment of MOFA's declined, even though their total assets grew. Asset growth in these industries was significantly boosted by inflation and changes in exchange rates. Also,

in these industries, employment growth may have been depressed, and asset growth boosted, by a shift to more capital-intensive (and less labor-intensive) methods of production during 1966-77.

In mining, the declines in MOFA employment were particularly large in Latin America and "other" developing countries (table 4). In Latin America, the declines were largest in Chile, where affiliates were nationalized, and in Peru, where policies adopted in 1971 required that companies become at least 51 percent Peruvian owned. In "other" developing countries, the largest decline was in Zambia, where, like Peru, policies were aimed at increasing domestic ownership of companies to at least 51 percent. In addition, in both Latin America and "other" developing countries, employment in mining declined because of the change in BEA industry classification rules noted earlier.

In petroleum, MOFA employment declined in both developed and developing countries. In developed countries, the decline was more than accounted for by affiliates in Europe. The largest decline was in Germany, where a large petroleum affiliate sold its coal mining operation to a domestic concern. In developing countries, the decline was more than accounted for by affiliates in Latin America. The largest decline was in Venezuela, where affiliates were nationalized.

Differences between the pattern of growth based on employment and that based on assets resulted in differences in the ranking of major industries in terms of their growth rates. For example, based on employment, the fastest growing industry was trade, while, based on assets, it was finance (except banking), insurance, and real estate. The unusually high employment growth rate in trade was partly a consequence of underreporting of employment by a major European retail trade affiliate in 1966.<sup>13</sup> The unusually high asset growth rate in finance (except banking), insur-

12. Data for MOFA's in this article differ in coverage from those published in *U.S. Direct Investment Abroad, 1977* (see the technical note).

13. Although there is some evidence that employment for some affiliates in industries other than trade may have also been underreported in 1966, the effect on the employment growth rates in these industries was probably relatively minor.

ance, and real estate, as noted earlier, largely reflected the sharp increase in the assets of affiliates that provided financial services within the MNC or that were holding companies. The strong growth in these assets was accompanied by little or no growth in employment.

The pattern of growth based on the two measures also differed among areas. For example, based on employment, growth of MOFA's was more rapid in developing countries; based on total assets, growth was more rapid in developed countries. This difference occurred because, although assets grew faster than employment in both areas, they grew slower relative to employment in developing countries. U.S. parents reduced their ownership in a number of large affiliates in developing countries during the period. These reductions had a proportionately larger negative impact on assets than on employment because they mainly involved affiliates in mining and petroleum, industries in which capital intensities and, therefore, asset-labor ratios were high. In addition, manufacturing affiliates' capital intensity may have increased at a slower pace in developing countries; thus, a given increase in affiliates' manufacturing capacity would have resulted in a smaller increase in assets (and a larger increase in employment) in developing countries than in developed countries.

Table A.—Adjustments to Improve the Comparability of the 1966 and 1977 Data for Allied Affiliates

[Millions of dollars]	
	Total assets
1966 data for:	
1. Universe of allied nonbank affiliates of nonbank parents <sup>1</sup>	118,884
2. Less publicly held affiliates	4,512
3. Equals allied affiliates as shown in tables 1-3	109,372
1977 data for:	
4. Universe of all nonbank affiliates owned 10 percent or more by nonbank U.S. parents, as previously published <sup>2</sup>	490,178
5. Less affiliates owned between 10 and 25 percent	46,809
6. Equals allied affiliates as shown in tables 1-3	443,375

1. Total assets for allied affiliates for 1966 were previously published in table I-1 of *U.S. Direct Investment Abroad, 1966*. The total of \$126,995 million shown in table I-1 differs from the total shown here because it includes, but the total shown here excludes, bank affiliates (which had total assets of \$14,683 million) and nonbank affiliates of bank parents (which had total assets of \$372 million).

2. Previously published in table IIA.1 of *U.S. Direct Investment Abroad, 1977*.

## Technical Note

### Adjustments to improve comparability

For foreign affiliates, the 1966 and 1977 data shown in tables 1-7 have been adjusted to improve comparability; therefore, they differ from data previously published for both years. For U.S. parents, the 1966 and 1977 data on total assets shown in table 1 are as previously published.<sup>14</sup>

The adjustments to the affiliate data at the all-country, all-industry level are shown in table A, for allied affiliates, and in table B, for MOFA's.<sup>15</sup> The 1966 data for both allied affiliates and MOFA's were adjusted to exclude publicly held foreign affiliates. These are foreign affiliates in which ownership is dispersed so that no one U.S. person has an interest of 10 percent or more. Such affiliates were included in the direct investment universe in 1966 if the combined ownership of all U.S. persons was at least 50 percent. However, in the 1977 benchmark survey, direct investment was defined from a single-owner viewpoint, rather than the national viewpoint used previously. As a result, these publicly held affiliates were not included in the 1977 data.

In addition, the 1966 data for MOFA's were adjusted to exclude affiliates owned exactly 50 percent by U.S. parents. In previously published 1966 data, MOFA's were defined to include exactly 50-percent-owned affil-

ates, as well as those owned more than 50 percent. However, in the 1977 benchmark survey, in order to be consistent with generally accepted accounting principles, the definition of MOFA's was changed to include only affiliates owned more than 50 percent. An adjustment was also made to the 1966 data for MOFA's to include data for affiliates in which no one U.S. person had an ownership interest of more than 50 percent but in which the combined ownership of all U.S. parents exceeded 50 percent. Such affiliates were excluded from previously published 1966 data, but included in the 1977 data, for MOFA's.

The only adjustment made to the 1977 data as previously published was to exclude affiliates owned at least 10 percent but under 25 percent by U.S. parents. As explained in the text, this adjustment was necessary because, in 1966, data were collected on total assets only for allied affiliates.

Both the 1966 and 1977 data for MOFA's in this article cover all affiliates owned over 50 percent by their U.S. parents, regardless of the size of their assets, sales, or net income. The 1977 data for MOFA's in this article differ, therefore, from those published in *U.S. Direct Investment Abroad, 1977*, which covered only the larger

Table B.—Adjustments to the 1966 Data for Majority-Owned Affiliates To Improve Comparability With the 1977 Data

	Total assets (billions of dollars)	Employment (Number of employees)
1. Majority-owned nonbank affiliates of nonbank parents <sup>1</sup>	99,830	1,846,904
2. Less publicly held affiliates	4,337	112,396
3. Less affiliates that were owned 50 percent	5,908	213,068
4. Plus: affiliates owned more than 50 percent on a combined ownership basis	2,406	70,171
5. Equals majority-owned affiliates as shown in tables 3 and 4	91,993	1,591,011

1. Total assets and employment for majority-owned affiliates for 1966 were previously published in tables I-24 and K-1, respectively, of *U.S. Direct Investment Abroad, 1966*. The total for assets in table I-24 of \$133,683 million differs from the total shown here because it includes, but the total shown here excludes, bank affiliates (which had total assets of \$13,615 million) and nonbank affiliates of bank parents (which had total assets of \$188 million). Similarly, the total for employment in table K-1 of 1,874 thousand (the unrounded total was 1,874,546) differs from the total shown here because it includes, but the total shown here excludes, bank affiliates (which had 21,096 employees) and nonbank affiliates of bank parents (which had 255 employees).

14. Total assets of U.S. parents for 1966 were previously published in table O-1 of *U.S. Direct Investment Abroad, 1966*. The total of \$630,370 million shown there differs from that shown in table 1 of this article because it includes, but the total in table 1 excludes, banks (which had total assets of \$108,504 million). Total assets of nonbank U.S. parents of nonbank affiliates were previously published in table IIA.1 of *U.S. Direct Investment Abroad, 1977*. The 1977 data exclude nonbank parents that have only bank affiliates. These parent companies could not be excluded from the 1966 data. However, even if they could have been, the effect on the data would almost certainly have been negligible.

15. To be consistent with the 1977 data for affiliates published in this and other articles based on the 1977 benchmark survey, the 1966 data in tables 1-7 were adjusted to exclude bank affiliates and nonbank affiliates of bank parents. See footnotes 1, table A and footnotes 1, table B for the amounts involved for allied affiliates and MOFA's, respectively.

MOFA's—those with assets, sales, or net income greater than \$3 million.

No adjustments were made for other differences in concepts, definitions, and coverage between 1966 and 1977. They included the treatment of

petroleum trading companies and U.S. airline and ship operators' foreign stations, ticket offices, and terminal port facilities, and, for data disaggregated by area, the definition of the "international" category (see footnote 9). It is believed that the effect of

these differences on the comparisons was small. For a discussion of these differences, see *U.S. Direct Investment Abroad, 1977* and Obie G. Whichard, "U.S. Direct Investment Abroad in 1980," *SURVEY 61* (August 1981): 28-39.

## Errata

Table 6 of the article "Employment and Employee Compensation of U.S. Multinational Companies in 1977" in the February 1982 *SURVEY OF CURRENT BUSINESS* contained errors in the rows for France, the Netherlands, and the United Kingdom. The corrected table is republished below. The errors were in the employment estimates for "all manufacturing establishments"; the affiliate shares of this employment have been recomputed based on the corrected figures.

Table 6.—Employment in Manufacturing (Including Petroleum and Coal Products) by All Manufacturing Establishments and by Foreign Affiliates in 10 Developed Countries, 1977

(Thousands of employees, or percent)

	All manufacturing establishments	All affiliates in manufacturing	Majority-owned affiliates in manufacturing	Foreign affiliates as percentage of all manufacturing establishments	
				All affiliates	Majority-owned affiliates
Belgium	966	120	95	12	10
Canada	1,714	667	397	39	36
Denmark	468	11	9	2	2
France	3,683	366	268	10	7
Germany	8,383	496	439	6	5
Italy	4,910	175	151	4	3
Japan	12,056	202	40	2	(*)
Netherlands	1,031	100	76	10	7
Sweden	908	25	19	3	2
United Kingdom	7,204	829	728	12	10

\* Less than 0.5 percent.

Note.—Estimates for manufacturing establishments were prepared by the Office of Productivity and Technology, Bureau of Labor Statistics, U.S. Department of Labor. Definition and coverage of employment by all manufacturing establishments differ slightly among countries.